

L'OREAL

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L'Oréal S.A. -- File No 82-735

NEWS RELEASEClichy, Thursday 20th February 2003
7.30 a.m.**L'ORÉAL****Strong increase in 2002 Results****Net profit before exceptionals: up 18.5%**

Consolidated sales reached € 14.3 billion. Like-for-like growth was +8.9% on 2001.

Net profit before exceptionals, i.e. before capital gains and losses and after minority interests⁽¹⁾, used to calculate earnings per share, reached € 1,456 million, an increase of +18.5%.

Adjusted operating profit⁽²⁾ advanced by +10.3% to € 1,841 million. Pre-tax profit of fully consolidated companies rose +13.1% to € 1,698 million.

Mr Lindsay OWEN-JONES, Chairman and Chief Executive Officer of L'Oréal, said: "Despite significant currency fluctuations and a difficult economic climate in some markets, L'Oréal was able to maintain strong organic growth momentum in 2002 thanks to its policy of international innovations. Good currency hedging and strict cost control enabled us to continue to improve our margins. Overall, we achieved further strong growth in our net profit. This achievement means that, despite the monetary difficulties, we can look forward to 2003 with confidence".

Continuing margin improvement

Adjusted operating profit⁽²⁾ increased by +10.3% to € 1,841 million, representing 12.9% of consolidated sales, compared with 12.1% in 2001.

The continuing margin improvement in all markets reflects the successful international development of the core brands and constant efforts to control manufacturing and administrative costs.

	<u>Consolidated group</u> <u>Adjusted operating profit⁽²⁾ by branch</u>	
	At 31st December 2002	As % of sales
Cosmetics	€ 1,768 m	12.7%
Dermatology⁽³⁾	€ 65 m	20.3%
Consolidated total	€ 1,841 m	12.9%

⁽¹⁾ Unaudited financial statements.

⁽²⁾ i.e. including exchange gains and losses.

⁽³⁾ Group share, i.e. 50%.

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	<u>Cosmetics branch</u> <u>Adjusted operating profit^(*) by geographic zone</u> (as % of sales)	
	2001	2002
Western Europe	13.3%	13.9%
North America	12.3%	12.7%
Rest of the world	8.1%	9.5%
Cosmetics total	12.0%	12.7%
(*) i.e. including exchange gains and losses.		

As a result of the decline in the group's debt together with lower interest rates, net financial expenses (excluding exchange gains and losses) amounted to € 142 million compared with € 167 million in 2001.

Consequently, pre-tax profit of fully consolidated companies increased by +13.1% to € 1,698 million.

Corporate taxes at group level increased by +8.2% to € 580 million.

Net profit (before capital gains and losses) of fully consolidated companies was € 1,119 million, increasing by +15.8%.

Strong contribution from Sanofi-Synthélabo

The group share of net profit from equity affiliates amounted to € 345 million, representing an increase of +28%. This reflects the contribution of SANOFI-SYNTHELABO which once again achieved strong earnings growth.

A sound balance sheet

The cash flow generated in 2002 enabled group debt levels to be reduced once again. The debt-to-equity ratio fell from 12.6% at the end of 2001 to 4.8% at the end of 2002.

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The group's main annual indicators⁽¹⁾

	at 31 st December 2001	at 31 st December 2002	% Growth
	€ million	€ million	
Consolidated sales	13,740	14,288	+4.0%
Operating profit	1,626	1,778	+9.4%
Adjusted operating profit ⁽²⁾	1,669	1,841	+10.3%
Pre-tax profit of fully consolidated companies	1,502	1,698	+13.1%
Net profit (before capital gains and losses) of fully consolidated companies	966	1,119	+15.8%
Group share of net profit from equity affiliates	270	345	+28.0%
Net profit before capital gains and losses and after minority interests	1,229	1,456	+18.5%
Earnings per share (€)	1.82	2.15	+18.5%

⁽¹⁾ Unaudited financial statements.
⁽²⁾ i.e. including exchange gains and losses.

Net book profit after minority interests reached € 1,227 million. The difference between net profit before capital gains and losses and minority interests and net book profit stems mainly from provisions for L'Oréal shares held by the group itself (€ 80 million) and from amortisation of goodwill (€ 50 million), together with various restructuring costs and capital gains or losses.

The Board of Directors reviewed these provisional financial statements on 19th February 2003 and will close them on 25th March 2003.

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